

Mendocino Land Trust



Financial Statements

June 30, 2015

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INFORMATION ABOUT THE ORGANIZATION

Name of organization.....	Mendocino Land Trust
Address.....	PO Box 1094, Mendocino CA 95460
Telephone number.....	707 962-0470
Web site address.....	www.mendocinolandtrust.org
e-mail address.....	acole@mendocinolandtrust.org
Executive Director.....	Ann Cole



JEREMIAH K. MURPHY
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mendocino Land Trust
Fort Bragg, California

We have audited the accompanying financial statements of the Mendocino Land Trust (a California nonprofit, corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino Land Trust as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountant

December 14, 2015

MENDOCINO LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current assets:		
Cash and equivalents	\$ 96,993	
Accounts receivable, net of allowance for doubtful accounts of \$0	128,595	
Other receivables	-	
Other current assets	-	
<i>Total current assets</i>		\$ 225,588
Long-term investments		1,150,523
Furniture, equipment and leasehold improvements, net (Note 2)		6,946
Other Assets		
Conservation lands and easements (Note 7)	6,131,140	
Other assets	2,555	
<i>Total other assets</i>		6,133,695
<i>Total Assets</i>		\$ 7,516,752

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 4,872	
Accrued expenses	20,807	
Deferred revenue	34,397	
<i>Total current liabilities</i>		\$ 60,076
Other liabilities:		
Notes payable	-	
<i>Total liabilities</i>		60,076
Net assets:		
Unrestricted net assets:		
Operating	6,475,624	
Fixed assets	6,946	
Total unrestricted net assets		6,482,570
Temporarily restricted net assets (Note 4)		974,106
Permanently restricted net assets (Note 5)		-
<i>Total net assets</i>		7,456,676
<i>Total liabilities and net assets</i>		\$ 7,516,752

See accompanying notes and auditor's report.

**MENDOCINO LAND TRUST
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Donations	357,036	\$ 62,247	\$ 419,283
Membership dues	-	-	-
Program revenues and grants	687,229	-	687,229
Other support and revenue	2,888	-	2,888
Investment income (loss) realized	20,427	79,483	99,910
Investment income (loss) unrealized	(70,020)	-	(70,020)
Satisfaction of restrictions	65,935	(65,935)	-
Total support and revenue	1,063,495	75,795	1,139,290
EXPENSES:			
<i>Program services:</i>			
Program and stewardship	641,584	-	641,584
Total program services	641,584	-	641,584
<i>Supporting services:</i>			
Management and general	102,667	-	102,667
Fundraising	64,958	-	64,958
Total supporting services	167,625	-	167,625
Total expenses	809,209	-	809,209
Change in net assets	254,286	75,795	330,081
Net assets as of beginning of year	6,213,852	898,311	7,112,163
Prior period adjustment	14,432	-	14,432
Net assets as of end of year	\$ 6,482,570	\$ 974,106	\$ 7,456,676

See accompanying notes and auditor's report.

Mendocino Land Trust
Statement of Functional Expenses
Year ended June 30, 2015

	Program and <u>Stewardship</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 153,792	\$ 51,738	\$ 39,181	\$ 244,711
Payroll taxes	13,716	4,572	3,484	21,772
Employee benefits	<u>41,760</u>	<u>13,920</u>	<u>10,605</u>	<u>66,285</u>
Total personnel	209,268	70,230	53,270	332,768
Fees				
Professional services	242,870			242,870
Legal	23,397	345		23,742
Accounting		14,758		14,758
Other		2,913		2,913
Advertising and promotion			42	42
Office expenses	300	5,597	7,301	13,198
Information technology	1,531		294	1,825
Occupancy costs	5,848	1,718	1,718	9,284
Travel expenses	10,000	4,211		14,211
Conferences, conventions and meetings	2,302		1,000	3,302
Depreciation		1,145		1,145
Insurance	5,248	1,750	1,333	8,331
Other expenses				
Vehicle maintenance and insurance	1,511			1,511
Licenses	289			289
Construction expenses program work	121,111			121,111
Stewardship maintenance and supplies	498			498
Program Misc.	11,179			11,179
Property Tax	875			875
Dues and memberships	<u>5,357</u>	<u>-</u>	<u>-</u>	<u>5,357</u>
Total other expenses	<u>432,316</u>	<u>32,437</u>	<u>11,688</u>	<u>476,441</u>
Total expenses before land acquisition	<u>\$ 641,584</u>	<u>\$ 102,667</u>	<u>\$ 64,958</u>	<u>\$ 809,209</u>

See accompanying notes and auditor's report

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND NATURE OF ACTIVITIES

The Mendocino Land Trust is a California non-profit public benefit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Mendocino Land Trust was organized to protect the scenic, natural, agricultural and open spaces of the Mendocino Coast for the benefit of the community, including future generations, by developing long-term land protection strategies, by promoting private and public funding for land conservation, by acquiring land and conservation easements, by practicing stewardship, including the restoration of conservation properties, and by promoting both a sense of place and a land ethic through activities, education and outreach.

The Mendocino Land Trust has an office in Fort Bragg, California and its operations are funded by support from donors, contracts from various state and federal agencies, and from fee for service work.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant policies applied in the presentation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of the Mendocino Land Trust have been prepared using the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Significant accounting estimates reflected in the Mendocino Land Trust's financial statements include the valuation of investments, valuation of grants and the valuation of donated land holdings and conservation easements and functional allocation of expenses. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Mendocino Land Trust considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Investments

Investments are composed of certificates of deposits with maturities of one-year or more and mutual funds investing in debt and equity securities. Investments are carried at fair market value which is based on quoted market prices. Realized and unrealized gains and losses are reflected in the statement of activities.

Donated property held as investment is reported at the appraised value of the property when received.

Concentration of Credit Risk

The organization maintains cash balances at financial institutions located in northern California and Boston, Massachusetts. The National Credit Union Administration and the Securities Investor Protection Corporation insures accounts up to \$250,000 at each institution. At June 30, 2015 the organization has no uninsured cash balances.

The organization maintains investments at one mutual fund family of funds, Fidelity Investments. Fidelity Investments maintains indemnity insurance and bonding in amounts considered suitable in the circumstances to cover the risks associate with investing with this fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Concentrations, continued

The Mendocino Land Trust has certain customers whose accounts receivables individually represent 10% or more of the total of accounts receivables, or whose revenue individually represent 10% or more of the revenue total.

Conservation Lands and Easements

The Mendocino Land Trust records land it acquires at costs, or records the land at fair value on the date of acquisition if all or part of the land is received as a donation. Values are recorded based on the following:

- Independent professional appraisals are performed for the donor or the organization; or
- Value is adopted by the acquiring public agency; or
- Where neither of the foregoing sources is available, the organization may use the full cash value as established by the local tax assessor.

Occasionally, the Mendocino Land Trust acquires land and simultaneously conveys a conservation easement over the property to a public agency for permanent stewardship of the easement. In such circumstances, the land is held on the Mendocino Land Trust's books at cost or fair value as described above, less the value of the easement conveyed to the public agency.

Conservation easements acquired by or donated to the Mendocino Land Trust represent numerous restrictions over the use and development of land not owned by the organization. These easements generally provide that the land will be maintained unimpaired in its current natural, agricultural, scenic or recreational state. Since the benefits of such easements accrue to the public upon acquisition, and the easements themselves have no marketable value, easements acquired by the Mendocino Land Trust are reflected as zero value.

Furniture, Equipment, and Leasehold Improvements

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, which range from five to thirty years, or over the lesser of the term of the lease or the estimated useful life of the asset for assets under capital lease.

Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the improvements. Normal repairs and maintenance are expensed as incurred whereas significant improvements that materially increase values or extend useful lives are capitalized and depreciated over the remaining estimated useful lives of the related assets.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Deferred Income

The balance of the deferred income account represents payments that the Mendocino Land Trust received that were not fully expensed by the end of the current fiscal year. The balance of the deferred income at the balance sheet date is 34,397.

Contributions

Contributions are recorded at fair value at the date of receipt or unconditional promise to give.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Mendocino Land Trust is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code section of the California Revenue and Taxation Code, is subject to income tax. Management believes that all of the organization's activities were directly related to its exempt purpose, thus the accompanying financial statements do not include any provision for income taxes.

Also, please refer to Note 6. "Uncertainty in Tax Positions" for more information about income tax positions.

Classification of Net Assets

Mendocino Land Trust considers contributions to be restricted if they are received with donor stipulations that restrict the timing of expending the donated assets. Accordingly, all such contributions are reported as either temporarily or permanently restricted. Gains and losses in the investment of these assets are also classified as either temporarily or permanently restricted. When either the time restriction or the purpose restrictions are met, the assets are released from restrictions and such release is reported in the statement of activities as "net assets released from restrictions". All other funds are classified as unrestricted net assets. Income derived from unrestricted assets is classified as unrestricted. At the balance sheet date the Organization had no permanently restricted net assets.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Mendocino Land Trust and changes therein are classified and reported as follows:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations. The Board periodically designates a portion of unrestricted net assets for use on specific projects or programs. Current designations are for land, land preservation and other conservation projects.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mendocino Land Trust and/or the passage of time.

Restricted Resources

The Mendocino Land Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mendocino Land Trust reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

In-Kind Services

The Mendocino Land Trust records contributed professional services at fair value of the services received, if such services require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not received through donation.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. MAJOR CUSTOMER AND ACCOUNTS RECEIVABLE

The following is a summary major customer and accounts receivable as of June 30, 2015

	Concentration Sales, Percentage	Concentration Accounts Receivables, Percentage
Shady Dell	21	27
State of California Natural Resources Agency	19	5
State Coastal Conservancy	15	11
PG&E	13	2
Big River Watershed Grant	7	27
	<u>75</u>	<u>72</u>

NOTE 3. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

The following is a summary of furniture, equipment and leasehold improvements as of June 30, 2015:

Furniture and fixtures	\$6,143
Equipment	8,612
	<u>\$14,756</u>
Less accumulated depreciation	(7,810)
Net fixed assets	<u>\$6,946</u>

NOTE 4. INVESTMENTS:

The following schedule reports the types of investments that the organization owns as well as the investment's cost and fair market value at June 30, 2015:

Description	Cost Basis	Fair Market Value
Cash and cash equivalents	\$61,293	\$61,293
Money market funds	145,168	145,168
Certificates of deposit	-0-	-0-
Mutual funds	892,579	944,062
Municipal bonds	-0-	-0-
Common stock	-0-	-0-
Pooled investments	-0-	-0-
Land held for investment	-0-	-0-
	<u>\$1,099,040</u>	<u>\$1,150,523</u>

The fair value measured on recurring basis for the above assets was done at Level 1: quoted market prices.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS:

At June 30, 2015 the temporarily restricted assets of the organization were as follows:

	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Big River Fund (board designated fund)	\$95,702	\$108,515
Easement Stewardship & Legal Defense Fund	335,179	275,478
Noyo River Redwoods Fund	634,290	618,532
All other temporarily restricted net assets	85,352	47,707
	<u>1,150,523</u>	<u>1,050,233</u>

NOTE 6. PERMANENTLY RESTRICTED NET ASSETS:

The organization has no permanently restricted net assets.

NOTE 7. UNCERTAINTY IN INCOME TAXES:

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3 "Effective date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises". FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, Accounting for Uncertainty In Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008.

The entity evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

The amount recognized is subject to estimate and management judgment with respect to the likely outcome for each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

In Management's judgment there are no uncertain tax positions for the years ended June 30, 2015.

NOTE 8. SUBSEQUENT EVENTS:

The Mendocino Land Trust has evaluated subsequent events through December 14, 2015, the date which the financial statements were available to be issued.

NOTE 8. CONSERVATION LANDS AND EASEMENTS:

The Mendocino Land Trust has several land holdings that require the organization to adhere to use limits and maintenance requirements. If these requirements are not met by the Mendocino Land Trust, the properties would revert either to the heirs of the donor or other land conservancy organizations. Also, certain conservation lands have been purchased using governmental funds. Such funds restrict the sale and disposition of the property under various agreements.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. CONSERVATION LANDS AND EASEMENTS, continued:

Conservation lands held at June 30, 2015 include:

	<i>Year Acquired</i>	<i>Property</i>
1	1999	Navarro Point (55.3 acres for public access, trails and preserve)
2	2010	Hare Creek Beach (5.8 acres for public access, trails and preserve)
3	2012	Noyo River Redwoods (426 acres of forest land managed for old growth redwoods)
4	2013	Pelican Bluffs (75 acres)
5	2014	Seaside Beach (13.6 acres)
6	2014	Caspar Uplands (11 acres)

Conservation easements held at June 30, 2015 include:

	<i>Year Acquired</i>	<i>Property</i>
1	1992	Phillips/Corning (Oak woodlands near Hopland)
2	1998	Fetzer/Skinner (Oak woodlands and forest near Hopland)
3	1998	Fetzer/Concha y Toro (Oak woodlands and forest near Hopland)
4	2000	Salvation Army/Miller-Schell (Redwood forest near Point Arena)
5	2000	Linney/Dye (Coniferous forest near Point Arena)
6	2001	Galbreath-Johnson (Oak woodlands, Old Growth Redwood and Fir; salmon streams)
7	2005	Ridgewood Ranch (Old Growth and second growth Redwoods)
8	2005	Hannum and Partners (Oak woodlands, grasslands and salmon habitat)
9	2007	Ridgewood Ranch (Oak woodlands, grasslands and salmon habitat)
10	2007	Freriks (Nature preserve and retreat near Albion)
11	2012	Maxwell ("Gleason-Prescott Preserve", oak woodlands, grasslands and forest)
12	2013	Dolan/Gobbi St. Vineyard (Ukiah valley agricultural conservation)
13	2013	Dolan/Dark Horse Ranch (Ukiah valley agricultural conservation)
14	2014	Big River (Estuarine, wetlands and wildlife)
15	2014	Gordon/Potter Valley

NOTES TO FINANCIAL STATEMENTS

NOTE 8. CONSERVATION LANDS AND EASEMENTS, continued:

In addition to the conservation land and easements identified above, the Mendocino Land Trust also has four Open Space Easements near Navarro Point, Little River, Gualala and Gordon Lane pygmy forest, and ninety seven public access easements granted between June 1996 and July 2014 to preserve the public's right to access the California coast.